

## Message Text

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ACTION EB-08

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TAGS: ETRD, US, AR

SUBJECT: ARGENTINE REACTIONS TO U.S. PROTECTIVE MEASURES FOR STEEL:

A. TRIGGER PRICE MECHANISM B. QUOTAS ON SPECIALTY STEEL

REF: STATE 096990

1. OFFICIALS OF ARGENTINE STEEL FIRMS HAVE RECENTLY MET WITH EMBASSY OFFICIALS, INCLUDING THE AMBASSADOR, TO EXPRESS THEIR DISAPPOINTMENT ABOUT RECENTLY IMPOSED U.S. MEASURES REGULATING STEEL IMPORTS WHICH IMPACT ON ARGENTINA -- THE TRIGGER PRICE MECHANISM AND THE ALLOCATION OF IMPORT QUOTAS FOR SPECIALTY STEELS, PARTICULARLY ALLOY TOOL STEEL. WE UNDERSTAND THAT THE ARGENTINE EMBASSY IN WASHINGTON WAS INSTRUCTED TO FILE A COMMENT WITH THE TRADE POLICY STAFF COMMITTEE ON THE REALLOCATION OF THE ALLOY TOOL STEEL QUOTA. HOWEVER, IT IS UNCLEAR FROM REFTTEL WHETHER ARGENTINA WAS ASSIGNED A SEPARATE QUOTA OR WHETHER THE "OTHER COLUMN 1 COUNTRIES" QUOTA WAS LEFT UNCHANGED. CONCERNING THE TRIGGER PRICE SYSTEM, THE ARGENTINE STEEL PRODUCERS CHAMBER ASSOCIATED ITSELF WITH A LETTER SENT BY ILAFA (LATIN AMERICAN IRON AND STEEL INSTITUTE) IN JANUARY TO STATE DEPUTY ASSISTANT SECRETARY ARELLANO AND TREASURY DEPUTY ASSISTANT SECRETARY

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SUCHMAN REQUESTING A LATIN AMERICAN EXEMPTION FROM ITS PROVISIONS. IT IS PROBABLE THAT THE ARGENTINES WILL RAISE BOTH ISSUES AT NEXT MEETING OF U.S.-ARGENTINE MIXED COMMISSION.

2. REGARDING THE APPLICATION OF THE TRIGGER PRICE MECHANISM TO ARGENTINA, ARGENTINE STEEL EXECUTIVES ARGUE

THAT THE VOLUME OF ARGENTINE EXPORTS BOTH IN VALUE AND IN QUANTITY IS A VERY SMALL PERCENTAGE OF TOTAL U.S. STEEL IMPORTS (IN 1976, IT WAS 1.3 PERCENT AND .7 PERCENT RESPECTIVELY). HOWEVER, THE U.S. ACCOUNTS FOR A SIGNIFICANT SHARE OF ARGENTINE STEEL EXPORTS (AVERAGING ABOUT 25 PERCENT IN THE PAST FEW YEARS). EXPORT SALES ARE PARTICULARLY IMPORTANT CURRENTLY DUE TO A LACK OF INTERNAL DEMAND CAUSED BY A RECESSION. HOWEVER, ARGENTINE EXPORTERS DOUBT WHETHER THEY CAN COMPETE WITH THE JAPANESE AT THE HIGHER TRIGGER PRICE FOR THE REDUCED VOLUME OF IMPORTS THAT WILL ENTER AS A RESULT. THEY FEEL THAT THE TRIGGER PRICE MECHANISM WILL IMPACT MORE HEAVILY IN RELATIVE TERMS ON ARGENTINA'S MARKET SHARE THAN ON THAT OF THE JAPANESE AND EUROPEANS BECAUSE OF THE LATTER'S SUPERIOR MARKETING ABILITIES. BECAUSE OF THE TRIGGER PRICE MECHANISM, ARGENTINA CANNOT UNDERCUT THEIR COMPETITION PRICEWISE BECAUSE ARGENTINE INTERNAL STEEL PRICES ARE MUCH HIGHER THAN THE TRIGGER PRICE LEVEL AND CONSEQUENTLY THEY WILL BE ACCUSED AND FOUND TO BE DUMPING.

3. CONCERNING THE REALLOCATION OF SPECIALTY STEEL QUOTAS, THE ARGENTINES WANTED EITHER A SPECIAL QUOTA OR A VOLUNTARY EXPORT RESTRAINT AGREEMENT, OR AN INCREASE IN THE QUOTA ASSIGNED TO "OTHER COLUMN 1 COUNTRIES." BECAUSE THEY WOULD LIKE TO HAVE STEADY EXPORT OUTLETS TO COMPLEMENT DOMESTIC SALES. IN 1976, ARGENTINA  
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EXPORTED 770 TONS OUT OF 3,600 TON QUOTA OF ALLOY TOOK STEEL ASSIGNED TO "OTHER COLUMN 1 COUNTRIES". HOWEVER, ONCE 2,400 TONS OF THIS QUOTA WERE ASSIGNED TO AUSTRIA IN 1977 AS A SEPARATE QUOTA, ARGENTINA EXPORTED ONLY 300 TONS BECAUSE THE REDUCED QUOTA PRECLUDED THEM FROM EXPORTING AT THE PLANNED LEVEL.

4. COMMENT: TOTAL ALLOY STEEL PRODUCTION IN ARGENTINA IS BETWEEN 2,500 AND 3,000 TONS ANNUALLY SO THE SHARE THEY DESIRE AND ARE CAPABLE OF EXPORTING TO THE U.S. (ROUGHLY 800 TONS/YEAR) IS RATHER SIGNIFICANT TO THEM. HOWEVER, THEIR CURRENT POSITION IS BASICALLY THAT OF A RESIDUAL SUPPLIER, THE AMOUNT THEY EXPORT BEING DEPENDENT ON THE EXPORT LEVELS OF OTHER MEMBERS OF THEIR QUOTA GROUP.  
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## Message Attributes

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